



## TEXAS DEPARTMENT OF INSURANCE

### Division of Workers' Compensation - Medical Fee Dispute Resolution (MS-48)

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## MEDICAL FEE DISPUTE RESOLUTION FINDINGS AND DECISION

### GENERAL INFORMATION

**Requestor Name**

VISTA HOSPITAL OF DALLAS

**Respondent Name**

AMERICAN HOME ASSURANCE CO

**MFDR Tracking Number**

M4-06-2945

**Carrier's Austin Representative**

Box Number 19

**MFDR Date Received**

DECEMBER 29, 2005

### REQUESTOR'S POSITION SUMMARY

**Requestor's Position Summary:** "The Carrier did not make a legal denial of reimbursement because it used invalid denial codes and Vista was not provided with a sufficient explanation or the proper denial reasons to justify the denial of reimbursement of the disputed charges...The rule does not require Vista to provide evidence that the service provided during the admission were unusually extensive or unusually costly to trigger the application of the Stop Loss Methodology. It is presumed that the services provided were unusually extensive or unusually costly when the \$40,000 stop-loss threshold is reached."

**Requestor's Supplemental Position Summary Dated January 15, 2016:** "Please allow this letter to serve as a supplemental statement to Vista Hospital of Dallas (VHD) originally submitted request for dispute resolution in consideration of the Texas Third Court of Appeals' Final Judgment... The medical records on file with MDR show this admission to be an excisional wound debridement down to the bone due to postoperative wound infection. This is unusually extensive for the following reasons...The medical and billing records on file with MDR also show that this admission was unusually costly for the following reasons."

**Amount in Dispute:** \$30,552.44

### RESPONDENT'S POSITION SUMMARY

**Respondent's Position Summary:** "The Requestor asserts it is entitled to reimbursement in the amount of \$42,496.44, which is 75% of the total charges. Requestor has not shown entitlement to this alternative, exceptional method of calculating reimbursement and has not otherwise properly calculated the audited charges."

**Respondent's Supplemental Position Summary dated February 9, 2016:** "Based upon Respondent's initial and all supplemental responses, and in accordance with the Division's obligation to adjudicate Requestor's claim of entitlement to additional payment, Requestor failed to sustain its burden of proving entitlement to the stop loss exception. The Division's original findings and decision applied the proper legal criteria for stop loss, and committed no error identified in the Third Court of Appeals Mandate that requires correction. The Division's original conclusion that Requestor is not entitled to additional payment should be acknowledged, and the Requestor be given the opportunity to request a referral to SOAH."

**Responses Submitted by:** Flahive, Ogden & Latson

## SUMMARY OF FINDINGS

Disputed Dates	Disputed Services	Amount In Dispute	Amount Due
June 9, 2005 through June 17, 2005	Inpatient Hospital Services	\$30,552.44	\$0.00

## FINDINGS AND DECISION

This medical fee dispute is decided pursuant to Texas Labor Code §413.031 and all applicable, adopted rules of the Texas Department of Insurance, Division of Workers' Compensation.

### Background

- 28 Texas Administrative Code §133.305 and §133.307, 27 *Texas Register* 12282, applicable to requests filed on or after January 1, 2003, sets out the procedures for resolving medical fee disputes.
- 28 Texas Administrative Code §133.304(c), 17 *Texas Register* 1105, effective February 20, 1992, sets out the provisions for insurance carrier's to dispute and audit medical bills.
- 28 Texas Administrative Code §134.401, 22 *Texas Register* 6246, effective August 1, 1997, sets out the fee guidelines for inpatient services rendered in an acute care hospital.
- The services in dispute were reduced/denied by the respondent with the following reason codes:
  - Z695-The charges for this hospitalization have been reduced based on the fee schedule allowance.
  - Z585-The charge for this procedure exceeds fair and reasonable.
  - Paid according to state fee schedule guidelines.
- Dispute M4-06-2945 History
  - The division originally issued a decision on May 19, 2006.
  - The dispute decision was appealed to the District Court.
  - The 345<sup>th</sup> Judicial District remanded the dispute to the division pursuant to an agreed order of remand D-1-GN-06-002212 dated July 10, 2015.
  - As a result of the remand order, the dispute was re-docketed at the division's medical fee dispute resolution section.
  - M4-06-2945-02 is hereby reviewed.

### Issues

- Did the respondent provide sufficient explanation for denial of the disputed services?
- Did the audited charges exceed \$40,000.00?
- Did the admission in dispute involve unusually extensive services?
- Did the admission in dispute involve unusually costly services?
- Is the requestor entitled to additional reimbursement?

### Findings

This dispute relates to inpatient surgical services provided in a hospital setting with reimbursement subject to the provisions of division rule at 28 Texas Administrative Code §134.401, titled *Acute Care Inpatient Hospital Fee Guideline*, effective August 1, 1997, 22 *Texas Register* 6264. The Third Court of Appeals' November 13, 2008 opinion in *Texas Mutual Insurance Company v. Vista Community Medical Center, LLP*, 275 *South Western Reporter Third* 538, 550 (Texas Appeals – Austin 2008, petition denied) addressed a challenge to the interpretation of 28 Texas Administrative Code §134.401. The Court concluded that "to be eligible for

reimbursement under the Stop-Loss Exception, a hospital must demonstrate that the total audited charges exceed \$40,000 and that an admission involved unusually costly and unusually extensive services.” Both the requestor and respondent in this dispute were given an opportunity to supplement the original MDR submissions after the 3<sup>rd</sup> Court of Appeals Decision. The division received supplemental information as noted in the position summaries above. The supplemental information was shared among the parties as appropriate. Documentation filed by the requestor and respondent to date is considered in determining whether the admission in dispute is eligible for reimbursement under the stop-loss method of payment. Consistent with the Third Court of Appeals’ November 13, 2008 opinion, the division will address whether the total audited charges **in this case** exceed \$40,000; whether the admission and disputed services **in this case** are unusually extensive; and whether the admission and disputed services **in this case** are unusually costly. 28 Texas Administrative Code §134.401(c)(2)(C) states, in pertinent part, that “Independent reimbursement is allowed on a case-by-case basis if the particular case exceeds the stop-loss threshold...” In that same opinion, the Third Court of Appeals states that the stop loss exception “...was meant to apply on a case-by-case basis in relatively few cases.” 28 Texas Administrative Code §134.401(c)(6) puts forth the requirements to meet the three factors that will be discussed.

1. The requestor in its position statement asserts that, “The Carrier did not make a legal denial of reimbursement because it used invalid denial codes and Vista was not provided with a sufficient explanation or the proper denial reasons to justify the denial of reimbursement of the disputed charges.” 28 Texas Administrative Code §133.304(c), 17 Texas Register 1105, effective February 20, 1992, applicable to dates of service in dispute, states, in pertinent part, that “At the time an insurance carrier makes payment or denies payment on a medical bill, the insurance carrier shall send, in the form and manner prescribed by the Commission, the explanation of benefits to the appropriate parties. The explanation of benefits shall include the correct payment exception codes required by the Commission's instructions, and shall provide sufficient explanation to allow the sender to understand the reason(s) for the insurance carrier's action(s). A generic statement that simply states a conclusion such as ‘not sufficiently documented’ or other similar phrases with no further description of the reason for the reduction or denial of payment does not satisfy the requirements of this section.” Review of the submitted documentation finds that the explanation of benefits were issued using the Division-approved form TWCC 62 and noted payment exception codes “Z695, and Z585.”

These payment exception codes and descriptions support an explanation for the reduction of reimbursement based on former 28 Texas Administrative Code §134.401. These reasons support a reduction of the reimbursement amount from the requested stop-loss exception payment reimbursement methodology to the standard per diem methodology amount and provided sufficient explanation to allow the provider to understand the reason(s) for the insurance carrier's action(s). The Division therefore concludes that the insurance carrier has substantially met the requirements of 28 Texas Administrative Code §133.304(c).

2. 28 Texas Administrative Code §134.401(c)(6)(A)(i) states, “to be eligible for stop-loss payment the total audited charges for a hospital admission must exceed \$40,000, the minimum stop-loss threshold.” Furthermore, 28 Texas Administrative Code §134.401(c)(6)(A)(v) states that “Audited charges are those charges which remain after a bill review by the insurance carrier has been performed.” Review of the explanation of benefits issued by the respondent finds that the carrier did not deduct any charges in accordance with §134.401(c)(6)(A)(v); therefore the audited charges equal \$52,661.92. The division concludes that the total audited charges exceed \$40,000.00.
3. 28 Texas Administrative Code §134.401(c)(2)(C) allows for payment under the stop-loss exception on a case-by-case basis only if the particular case exceeds the stop-loss threshold as described in paragraph (6). Paragraph (6)(A)(ii) states that “This stop-loss threshold is established to ensure compensation for unusually extensive services required during an admission.” The Third Court of Appeals’ November 13, 2008 opinion states that “to be eligible for reimbursement under the Stop-Loss Exception, a hospital must demonstrate that the total audited charges exceed \$40,000 and that an admission involved...unusually extensive services” and further states that “independent reimbursement under the Stop-Loss Exception was meant to apply on a case-by-case basis in relatively few cases.” In its position, the requestor states:

The medical records on file with MDR show this admission to be an excisional wound debridement down to the bone due to postoperative wound infection. This is unusually extensive for the following reasons:

- This type of surgery is unusually extensive when compared to all workers' compensation admissions between 2001 and 2008 which totaled 68,775, which is based on data received from DWC through a Deposition on Written Questions. It is unusually extensive in that only 4% of the total admissions were for a lumbar spine fusion with a principle procedure code of 86.22 such as the surgery performed in this case;
- This procedure has a Medicare Severity Diagnostic Related Group (MS-DRG) of 415 which has a relative weight of 3.6291. This relative weight is 136% higher than the average relative weight of all DRG's for fiscal year 2005, the date this procedure was performed, and is 170% higher than all Major Diagnostic Category (MDC) 08 DRG's for the same fiscal year and;
- This procedure has a relative weight that is 142% higher than the average Case Mix Index (CMI) for similar hospitals in Dallas County where this procedure was performed.

The division considered the requestor's contention that the services in dispute were unusually extensive. Per the Third Court of Appeals' November 13, 2008, decision "to be eligible for reimbursement under the Stop-Loss Exception, a hospital must demonstrate that the total audited charges exceed \$40,000 and that an admission involved unusually costly and unusually extensive services." In that same opinion, the Third Court of Appeals states that the stop loss exception "...was meant to apply on a case-by-case basis in relatively few cases." The division reviewed the requestor's position summary and submitted documentation and finds the following:

- The requestor indicated that because 4% of the total a workers' compensation admissions between 2001 and 2008 involved excisional wound debridement down to the bone due to postoperative wound infection, this admission involved unusually extensive services. The requestor's categorization of spinal surgeries presupposes that all spinal surgeries are unusually extensive. The Third Court of Appeal's decision noted that stop-loss reimbursement is meant to apply on a case-by-case basis. The requestor did not submit case specific information to support how the services in dispute were unusually extensive in relation to similar admissions.
- The requestor uses Medicare's MS-DRG and relative weights to support their argument that the disputed services involved an unusually extensive hospital stay. The Centers for Medicare & Medicaid Services (CMS) began using a new diagnosis-related groups (DRG) system called Medicare Severity (MS) on October 1, 2007; therefore, the requestor's argument is based on a system that did not exist on the disputed date of service in 2005.
- The requestor also noted that the admission was unusually extensive because the procedure's relative weight is 142% higher in comparison to the average CMI for similar hospitals in Harris County. The requestor did not submit documentation to support this assertion, nor did the requestor provide information regarding its comparison to "similar hospitals."

For the reasons stated, the division finds that the requestor has not demonstrated that the services in dispute involved unusually extensive services in relation to similar admissions.

4. In regards to whether the services were unusually costly, the Third Court of Appeals' November 13, 2008 opinion concluded that in order to be eligible for reimbursement under the stop-loss exception, a hospital must demonstrate that an admission involved unusually costly services. 28 Texas Administrative Code §134.401(c)(6) states that "Stop-loss is an independent reimbursement methodology established to ensure fair and reasonable compensation to the hospital for unusually costly services rendered during treatment to an injured worker." The requestor's supplemental position statement asserts that:

The medical and billing records on file with MDR also show that this admission was unusually costly for at least the following reasons:

- The median charge for all workers' compensation inpatient surgeries is \$23,187; the median charge for workers' compensation surgeries of this type is \$39,000; therefore, the audited billed charges for this surgery substantially exceed not only the median charges, but also the \$40,000 stop loss threshold;

The requestor asserts that because the **billed charges** exceed the stop-loss threshold, the admission in this case is unusually costly. The division notes that audited charges are addressed as a separate and distinct factor described in 28 Texas Administrative Code §134.401(c)(6)(A)(i). Billed charges for services do not represent the cost of providing those services, and no such relation has been established in the instant case. The requestor fails to demonstrate that the **costs** associated with the services in dispute are unusual when compared to similar spinal surgery services or admissions. For that reason, the division rejects the requestor's position that the admission is unusually costly based on the mere fact that the billed or audited charges "substantially" exceed \$40,000. The requestor does not list or quantify the costs associated with these resources in relation to the disputed services, nor does the requestor provide documentation to support a reasonable comparison between the resources required for similar spinal surgery services or admissions. Therefore, the requestor fails to demonstrate that the resources used in this particular admission are unusually costly when compared to similar spinal surgery services or admissions.

5. For the reasons stated above, the services in dispute are not eligible for the stop-loss method of reimbursement. Consequently, reimbursement shall be calculated pursuant to 28 Texas Administrative Code §134.401(c)(1) subtitled *Standard Per Diem Amount* and §134.401(c)(4) subtitled *Additional Reimbursements*. The division notes that additional reimbursements under §134.401(c)(4) apply only to bills that do not reach the stop-loss threshold described in subsection (c)(6) of this section.

- Review of the submitted documentation finds that the services provided were surgical; therefore the standard per diem amount of \$1,118.00 per day applies. Division rule at 28 Texas Administrative Code §134.401(c)(3)(ii) states, in pertinent part, that "The applicable Workers' Compensation Standard Per Diem Amount (SPDA) is multiplied by the length of stay (LOS) for admission..." The length of stay was eight days. The surgical per diem rate of \$1,118.00 multiplied by the length of stay of eight days results in an allowable amount of \$8,944.00.
- 28 Texas Administrative Code §134.401(c)(4)(C) states "Pharmaceuticals administered during the admission and greater than \$250 charged per dose shall be reimbursed at cost to the hospital plus 10%. Dose is the amount of a drug or other substance to be administered at one time." A review of the submitted itemized statement finds that the requestor billed \$330.05/unit for Thrombin USP TOP. The requestor did not submit documentation to support what the cost to the hospital was for these pharmaceuticals. For that reason, additional reimbursement for these items cannot be recommended.

The division concludes that the total allowable for the disputed inpatient hospitalization is \$8,944.00. The respondent issued payment in the amount of \$8,944.00; therefore, additional reimbursement is not recommended.

## Conclusion

The submitted documentation does not support the reimbursement amount sought by the requestor. The requestor in this case demonstrated that the audited charges exceed \$40,000, but failed to demonstrate that the disputed inpatient hospital admission involved unusually extensive services, and failed to demonstrate that the services in dispute were unusually costly. Consequently, 28 Texas Administrative Code §134.401(c)(1) titled *Standard Per Diem Amount*, and §134.401(c)(4) titled *Additional Reimbursements* are applied and result in no additional reimbursement.

## **ORDER**

Based upon the documentation submitted by the parties and in accordance with the provisions of Texas Labor Code §413.031, the division has determined that the requestor is entitled to \$0.00 additional reimbursement for the services in dispute.

### **Authorized Signature**

		10/21/2016
Signature	Medical Fee Dispute Resolution Officer	Date

## **YOUR RIGHT TO APPEAL**

Either party to this medical fee dispute may appeal this decision by requesting a contested case hearing. A completed **Request for a Medical Contested Case Hearing** (form **DWC045A**) must be received by the DWC Chief Clerk of Proceedings within **twenty** days of your receipt of this decision. A request for hearing should be sent to: Chief Clerk of Proceedings, Texas Department of Insurance, Division of Workers Compensation, P.O. Box 17787, Austin, Texas, 78744. The party seeking review of the MFDR decision shall deliver a copy of the request for a hearing to all other parties involved in the dispute at the same time the request is filed with the division. **Please include a copy of this *Medical Fee Dispute Resolution Findings and Decision*, together with any other required information specified in 28 Texas Administrative Code §148.3(c), including a **certificate of service demonstrating that the request has been sent to the other party.****

**Si prefiere hablar con una persona en español acerca de ésta correspondencia, favor de llamar a 512-804-4812.**